

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1988, as amended. (V1.07)

Unit Name* WATERTOWN TOWNSHIP	County* SANILAC	Type* TOWNSHIP	MuniCode* 76-1-240
Opinion Date-Use Calendar* Sep 23, 2008	Audit Submitted-Use Calendar* Sep 25, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 282,775.00
General Fund Expenditure:	? \$ 224,036.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 616,389.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* GARY	Last Name* ANDERSON	Ten Digit License Number* 1101005446		
CPA Street Address* 715 E. FRANK ST	City* CARO	State* MI	Zip Code* 48723	Telephone* +1 (989) 673-3137
CPA Firm Name* ANDERSON, TUCKEY, BERN	Unit's Street Address* 2630 S. SANDUSKY RD	Unit's City* SANDUSKY	Unit's Zip* 48471	

WATERTOWN TOWNSHIP
Sanilac County, Michigan

Report of Financial Statements
March 31, 2008

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	<i>I-v</i>
BASIC FINANCIAL STATEMENTS	
<i>Government-wide financial statements</i>	
<i>Statement of net assets</i>	<i>1</i>
<i>Statement of activities</i>	<i>2</i>
<i>Fund financial statements</i>	
<i>Balance sheet - governmental funds</i>	<i>3</i>
<i>Statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	<i>4</i>
<i>Reconciliation of Statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	<i>5</i>
<i>Proprietary Fund</i>	
<i>Statement of Net Assets</i>	<i>6</i>
<i>Statement of Revenues, Expenses, and Changes in Net Assets</i>	<i>7</i>
<i>Statement of Cash Flows</i>	<i>8</i>
<i>Fiduciary Fund</i>	
<i>Statement of fiduciary assets and liabilities</i>	<i>9</i>
<i>Notes to the financial statements</i>	<i>10 - 18</i>
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary comparison schedule - general fund</i>	<i>19</i>
<i>Budgetary comparison schedule - sewer assessment fund</i>	<i>20</i>
ADDITIONAL INFORMATION	
<i>Schedule of Revenues and Expenditures - Budget and Actual - General Fund</i>	<i>21 - 23</i>
<i>Fiduciary Fund</i>	
<i>Agency fund - statement of changes in assets and liabilities</i>	<i>24</i>



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
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Timothy Franzel

Robert L. Tuckey, CPA

September 23, 2008

INDEPENDENT AUDITORS' REPORT

Watertown Township
Sanilac County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Watertown Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Watertown Township's management. Our responsibility is to express an opinion about these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended and interpreted, as of March 31, 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown Township as of March 31, 2008, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through v and pages 19 and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watertown Township's basic financial statements. The additional information on pages 21 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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CERTIFIED PUBLIC ACCOUNTANTS

**WATERTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2008**

As management of Watertown Township, we offer readers of Watertown Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. This information will be provided in subsequent years.

Financial Highlights

- The assets of the Township's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$623,389 (net assets). Of this amount, \$616,389 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The governmental activities total net assets increased by approximately \$30,053.
- The assets of the Township's business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$62,013 (net assets).

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2008:

**WATERTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2008**

Watertown Township's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 616,389	\$ 39,721	\$ 656,110
Capital assets	7,000	22,292	29,292
Total assets	<u>\$ 623,389</u>	<u>\$ 62,013</u>	<u>\$ 685,402</u>
Current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net assets:			
Invested in capital assets	\$ 7,000	\$ 22,292	\$ 29,292
Unrestricted	616,389	39,721	656,110
Total net assets	<u>\$ 623,389</u>	<u>\$ 62,013</u>	<u>\$ 685,402</u>

The Township's combined net assets increased by \$92,066 from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations ended the fiscal year with a balance of \$616,389 in the governmental activities.

**WATERTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2008**

The following table shows the changes in net assets for the year ended March 31, 2008:

Watertown Township's Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 9,000	\$ 41,471	\$ 50,471
General revenues:			
Property Taxes	129,919		129,919
State sources	98,177		98,177
Investment earnings	30,314	1,351	31,665
Miscellaneous	49,023		49,023
Net Transfers	(58,246)	58,246	-
Total revenues	<u>258,187</u>	<u>101,068</u>	<u>359,255</u>
Expenses:			
General government	70,138		70,138
Public works	157,746	39,055	196,801
Depreciation	250		250
Total expenses	<u>228,134</u>	<u>39,055</u>	<u>267,189</u>
Increase in net assets	30,053	62,013	92,066
Net assets, beginning of year	593,336	-	593,336
Net assets, end of year	<u>\$ 623,389</u>	<u>\$ 62,013</u>	<u>\$ 685,402</u>

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. The Township provides sewage disposal to residents within the Township.

The Sewer Fund had a net income of \$62,013. Cash flow for the Sewer Fund increased by \$52,533. During the year ended March 31, 2008, the Township began billing its residents for use of the sewer system.

**WATERTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2008**

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$616,389. The fund balance of the Township's general fund increased by \$58,739 during the current fiscal year.

General Fund Budgetary Highlights

The final amended budget was not changed from the original budget during the year ended March 31, 2008.

Capital Assets

The Township's investment in capital assets for its governmental and business type activities as of March 31, 2008 amounts to \$29,292 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment and furniture, and sewer meters.

Major capital asset events during the current fiscal year included the following:

Watertown Township's Capital Assets
(net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,000		\$ 1,000
Buildings & Improvements	6,000		6,000
Furniture & Equipment	-		-
Sewer Equipment		\$ 22,292	22,292
	<u>\$ 7,000</u>	<u>\$ 22,292</u>	<u>\$ 29,292</u>

Additional information on the Township's capital assets can be found in Note 4 on pages 16 and 17 of this report.

**WATERTOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2008**

Economic Factors and Next Year's Budgets and Rates

Watertown Township's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Township Treasurer's Office.

Basic Financial Statements

WATERTOWN TOWNSHIP
Statement of Net Assets
March 31, 2008

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash in bank	\$ 453,966	\$ 52,533	\$ 506,499
Accounts receivable		5,336	5,336
Internal balances	152,431	(18,148)	134,283
Prepaid expense	9,992		9,992
TOTAL CURRENT ASSETS	616,389	39,721	656,110
CAPITAL ASSETS			
Land	1,000		1,000
Capital assets, net of accumulated depreciation	6,000	22,292	28,292
TOTAL CAPITAL ASSETS	7,000	22,292	29,292
TOTAL ASSETS	\$ 623,389	\$ 62,013	\$ 685,402
LIABILITIES AND NET ASSETS			
LIABILITIES			
Due to other Governmental Units	-	-	-
TOTAL LIABILITIES	-	-	-
NET ASSETS			
Invested in capital assets	\$ 7,000	\$ 22,292	\$ 29,292
Unrestricted	616,389	39,721	656,110
TOTAL NET ASSETS	623,389	62,013	685,402
TOTAL LIABILITIES AND NET ASSETS	\$ 623,389	\$ 62,013	\$ 685,402

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP
Statement of Activities
March 31, 2008

Functions/programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues		
			Governmental Activities	Business-Type Activities	Total
Primary government					
General activities					
General government	\$ 70,138		\$ (70,138)		\$ (70,138)
Public works	157,746	\$ 9,000	(148,746)		(148,746)
Depreciation	250		(250)		(250)
Total governmental activities	228,134	9,000	(219,134)	-	(219,134)
Business-type activities					
Sewage disposal	39,055	\$ 41,471		2,416	2,416
Total Primary Government	\$ 267,189	\$ 50,471	(219,134)	2,416	(216,718)
General revenues					
Taxes			129,919		129,919
Interest income			30,314	\$ 1,351	31,665
Intergovernmental revenue			98,177		98,177
Miscellaneous			49,023		49,023
Net transfers			(58,246)	58,246	-
Total general revenues and transfers			249,187	59,597	308,784
Changes in net assets			30,053	62,013	92,066
Net assets, beginning of year			593,336	-	593,336
Net assets, end of year			\$ 623,389	\$ 62,013	\$ 685,402

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP

Balance Sheet
 Governmental Funds
 March 31, 2008

	<u>GENERAL FUND</u>	<u>SEWER ASSESSMENT FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash in bank	\$ 453,966	\$ -	\$ 453,966
Due from other funds	152,431		152,431
Prepaid expenses	9,992		9,992
<u>TOTAL ASSETS</u>	<u>\$ 616,389</u>	<u>\$ -</u>	<u>\$ 616,389</u>

<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Due to other Governmental Units			-
<u>TOTAL LIABILITIES</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY:			
Fund Balance - undesignated	\$ 440,283		440,283
Fund Balance - designated	176,106	\$ -	176,106
<u>TOTAL FUND BALANCE</u>	<u>616,389</u>	<u>-</u>	<u>616,389</u>
<u>TOTAL LIABILITIES & FUND EQUITY</u>	<u>\$ 616,389</u>	<u>\$ -</u>	<u>\$ 616,389</u>

Total Fund Balances - Governmental Funds \$ 616,389

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

 The cost of the capital assets is:

 Accumulated depreciation is:

13,000

(6,000)

Net Assets of Governmental Activities

\$ 623,389

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP
Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds
For the Year Ended March 31, 2008

	<u>GENERAL FUND</u>	<u>SEWER ASSESSMENT FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:			
Taxes	\$ 129,919		\$ 129,919
Interest income	29,671	\$ 643	30,314
State revenue sharing	95,216		95,216
State revenue sharing - Metro act	2,961		2,961
Other revenue	<u>25,008</u>	<u>33,015</u>	<u>58,023</u>
TOTAL REVENUE	<u>282,775</u>	<u>33,658</u>	<u>316,433</u>
EXPENDITURES:			
Legislative	10,245		10,245
Executive	4,483		4,483
Clerk	10,688		10,688
Board of Review	744		744
Assessor	10,467		10,467
Treasurer	13,589		13,589
Elections	1,454		1,454
Township hall & grounds	10,437		10,437
Planning & Zoning	8,031		8,031
Public works	<u>153,898</u>	<u>3,848</u>	<u>157,746</u>
TOTAL EXPENDITURES	<u>224,036</u>	<u>3,848</u>	<u>227,884</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>58,739</u>	<u>29,810</u>	<u>88,549</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer out	<u>-</u>	<u>(58,246)</u>	<u>(58,246)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(58,246)</u>	<u>(58,246)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	58,739	(28,436)	30,303
FUND BALANCE - BEGINNING OF YEAR	<u>557,650</u>	<u>28,436</u>	<u>586,086</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 616,389</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 616,389</u></u>

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended March 31, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 30,303
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(250)
Capital outlay	<u>-</u>
Change in net assets of governmental activities	<u>\$ 30,053</u>

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP
Statement of Net Assets
Proprietary Fund
March 31, 2008

**SEWAGE
DISPOSAL**

ASSETS

Current Assets:

Cash on hand & in bank

\$ 52,533

Account receivable

5,336

Total current assets

57,869

Capital Assets:

Fixed assets

24,099

Less accumulated depreciation

(1,807)

Total capital assets (net of accumulated depreciation)

22,292

TOTAL ASSETS

\$ 80,161

LIABILITIES AND NET ASSETS

LIABILITIES

Due to other funds

\$ 18,148

TOTAL LIABILITIES

18,148

NET ASSETS

Invested in capital assets, net of debt

22,292

Unrestricted

39,721

TOTAL NET ASSETS

62,013

TOTAL LIABILITIES & NET ASSETS

\$ 80,161

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP
Statement of Revenues, Expenses
and Changes in Net Assets-Proprietary Funds
For the Year Ended March 31, 2008

	<u>SEWAGE DISPOSAL</u>
REVENUE:	
Sewer system sales	\$ 41,471
Miscellaneous	<u>-</u>
TOTAL OPERATING REVENUE	<u>41,471</u>
EXPENDITURES:	
Contracted services	18,677
Utilities	608
Repairs and maintenance	481
Depreciation	1,807
Miscellaneous	<u>17,482</u>
TOTAL OPERATING EXPENSES	39,055
OPERATING INCOME (LOSS)	<u>2,416</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest earned	1,351
Transfer from other funds	<u>58,246</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	59,597
INCOME (LOSS) BEFORE CONTRIBUTIONS	62,013
CONTRIBUTED CAPITAL	<u>-</u>
CHANGE IN NET ASSETS	62,013
NET ASSETS - BEGINNING OF YEAR	<u>-</u>
NET ASSETS - END OF YEAR	<u><u>\$ 62,013</u></u>

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2008

	<u>SEWAGE DISPOSAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income (loss)	\$ 62,013
ADJUSTMENT TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation and Amortization	1,807
CHANGE IN CURRENT ASSETS AND LIABILITIES:	
(Increase) decrease in accounts receivable	(5,336)
Increase (decrease) in due to other funds	<u>18,148</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>76,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(24,099)
Disposal of equipment	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(24,099)</u>
NET INCREASE IN CASH & CASH EQUIVALENTS	52,533
CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	<u>-</u>
CASH & CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 52,533</u></u>

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
March 31, 2008

	<u>CURRENT TAX COLLECTION FUND</u>
 <u>ASSETS</u>	
Cash on hand & in bank	\$ 125,196
Taxes Receivable	<u>106,299</u>
TOTAL ASSETS	<u>\$ 231,495</u>
 <u>LIABILITIES</u>	
LIABILITIES	
Due To Other Units	\$ 97,212
Due To Other Funds	<u>134,283</u>
TOTAL LIABILITIES	<u>\$ 231,495</u>

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES:

The Watertown Township covers an area of approximately 35 square miles within Sanilac County. The Township operates under an elected Board of Trustees (5 members) and provides services to many residents in many areas including, administration of justice, community enrichment and development and human services.

The financial statements of the Watertown Township have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The U.S. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

ADOPTION OF NEW ACCOUNTING STANDARDS:

During the fiscal period 2008, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, and amendment to GASB No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the Township to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make some changes to the footnotes.

The table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Fund Balance at March 31, 2007 – governmental funds	\$586,086
Net capital assets (restated)	<u>7,250</u>
Restated net assets – April 1, 2007	<u>\$593,336</u>

A. REPORTING ENTITY:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of Watertown Township include the accounts of all Township operations. The Township's major operations include fire protection, road maintenance, and general administrative services. The Township has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Township.

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

A. REPORTING ENTITY (Continued):

SANDUSKY COMMUNITY FIRE DEPARTMENT ASSOCIATION:

The Sandusky Community Fire Department Association was created on March 1, 2001, by the City of Sandusky and the Townships of Custer, Elmer and Watertown. All of the governmental entities are located in Sanilac County, Michigan. The association operates under a joint nine (9) member board consisting of two (2) representatives from each of the entities and one (1) member elected at large by the board, for the purpose of providing total fire protection to the City of Sandusky, all of Watertown Township, twenty-four (24) square miles of Custer Township, and sixteen (16) square miles of Elmer Township. The Association was established under Public Act 22, commonly known as the Fire Protection Act, which provides that adjoining cities with a population of not more than 15,000 and townships acting jointly may establish, fund, maintain and regulate a fire department for the benefit of the residents thereof.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Sandusky Community Fire Department Association is not considered to be part of any other governmental entity for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public services, fiscal independence, financial accountability, imposition of will and financial benefit or burden. On this basis, the financial statements of other governmental organizations are not included in the financial statements of the Sandusky Community Fire Department Association. The Association is audited independently and a separate financial report is issued.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes, special assessments and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current periods. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The Sewer Assessment Fund is used to account for the sewer activity under the Authority.

Also, the government reports the following proprietary fund:

The Sewer Fund is used to collect sewer system billings as well as maintain and operate the Township's sewer system.

Also, the government reports as fiduciary funds, the Tax Collection Fund (agency fund).

The Agency Fund is utilized to account for the Township's collections of taxes for other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (Continued):

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments and the public safety millage. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. ASSETS, LIABILITIES, AND NET ASSETS:

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value. The Township's deposits and investments are in accordance with statutory authority.

State statutes authorize the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Receivables

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls, which are secured by the underlying property.

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

D. ASSETS, LIABILITIES, AND NET ASSETS (Continued):

4. Capital Assets

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Office Equipment	5-7 years

5. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Contributed capital currently exists only in the enterprise funds. This capital has been used along with other township resources to purchase or construct the water and sewer systems currently in use within the Township. In order to more accurately reflect the equity remaining in these contributions, the contributions are being amortized over the useful life of the assets they aided in constructing or purchasing.

6. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

D. ASSETS, LIABILITIES, AND NET ASSETS (Continued):

7. Estimates

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balances because they will be re-appropriated in the subsequent fiscal year.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to April 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to April 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 3 - CASH AND EQUIVALENTS:

Cash and investments are held separately by each of the Township's funds.

DEPOSITS:

At year-end, the carrying amount of the Township's deposits was \$631,695 and the bank balance was \$639,070, \$100,000 of which was covered by federal depository insurance.

INVESTMENTS:

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered, or securities held by the Township's or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counter-part's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At March 31, 2008, the Township had no investments.

The Township's cash, cash equivalents, investments and designated assets at March 31, 2008 are composed of the following:

	<u>CASH AND CASH EQUIVALENTS</u>	<u>INVESTMENTS</u>	<u>DESIGNATED ASSETS</u>
General Fund:			
Deposits	\$ 453,966		
Proprietary Fund:			
Deposits	52,533		
Agency Fund:			
Deposits	<u>125,196</u>		
TOTAL	<u>\$ 631,695</u>	<u>NONE</u>	<u>NONE</u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 4 - CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets follows:

	<u>BALANCE MARCH 31, 2007</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE MARCH 31, 2008</u>
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets				
Land	\$ 1,000			\$ 1,000
Depreciable Assets				
Buildings & Improvements	10,000			10,000
Furniture & Equipment	2,000			2,000
Less: Accumulated Depreciation	<u>(5,750)</u>	<u>(\$ 250)</u>	<u>-</u>	<u>(6,000)</u>
NET CARRYING VALUE	<u>\$ 7,250</u>	<u>(\$ 250)</u>	<u>NONE</u>	<u>\$ 7,000</u>

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 4 - CHANGES IN CAPITAL ASSETS (Continued):

	BALANCE MARCH 31, 2007	ADDITIONS	REDUCTIONS	BALANCE MARCH 31, 2008
BUSINESS-TYPE ACTIVITIES:				
Sewer Meters	\$ -	\$24,099	\$ -	\$24,099
Less: Accumulated Depreciation	(-)	(1,807)	(-)	(1,807)
NET CARRYING VALUE	<u>\$ -</u>	<u>\$22,292</u>	<u>\$ -</u>	<u>\$22,292</u>

NOTE 5 - DUE TO AND FROM OTHER FUNDS:

Due to and from other funds balances at March 31, 2008 are as follows:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$152,431	
Proprietary Fund:		
Sewer Fund		\$ 18,148
Trust and Agency:		
Current Tax Collection Fund	<u> </u>	<u>134,283</u>
TOTAL	<u>\$152,431</u>	<u>\$152,431</u>

NOTE 6 - PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, state education fund and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. In addition, the Township collected the State Education Tax and the county tax that was levied July 1 and due September 15.

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above-described activities. The Township did not have any losses in the three prior fiscal years.

NOTE 8 – SEWAGE DISPOSAL SYSTEM AGREEMENTS:

On April 5, 2007 the Sandusky/Watertown Wastewater Treatment Agreement was signed. The agreement was made retroactive to March 1, 2007. This new agreement is in effect until December 31, 2026. The City of Sandusky is the owner and operator of the wastewater treatment plant. Watertown Township residents are allotted 96,000 gallons per day of wastewater. If the township uses more, there is a \$0.50 per gallon capital surcharge. In April 2007, Watertown Township received \$33,014 from the City of Sandusky for sewer assessments that were held in escrow while the litigation over the Sandusky-Watertown Sewer Authority was on going. During the fiscal year 2008, the Township installed meters on their customers and began billing residents for their usage. The Township is also responsible for collections on their residents.

WATERTOWN TOWNSHIP, SANILAC COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 9 – TRANSFERS:

The sewer assessment fund transferred \$58,246 to the sewer fund during the year for the purpose of starting the sewer fund.

Required Supplementary Information

WATERTOWN TOWNSHIP
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Taxes	\$ 126,338	\$ 126,338	\$ 129,919	\$ 3,581
Interest income	14,000	14,000	29,671	15,671
State revenue sharing	95,000	95,000	95,216	216
State revenue sharing - Metro act	-	-	2,961	2,961
Other revenue	11,420	11,420	25,008	13,588
TOTAL REVENUE	246,758	246,758	282,775	36,017
EXPENDITURES:				
Legislative	20,960	20,960	10,245	10,715
Executive	4,494	4,494	4,483	11
Clerk	10,290	10,290	10,688	(398)
Board of Review	1,000	1,000	744	256
Assessor	10,210	10,210	10,467	(257)
Treasurer	13,754	13,754	13,589	165
Elections	4,000	4,000	1,454	2,546
Township hall & grounds	16,900	16,900	10,437	6,463
Planning & Zoning	7,833	7,833	8,031	(198)
Public works	232,008	232,008	153,898	78,110
TOTAL EXPENDITURES	321,449	321,449	224,036	97,413
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(74,691)	(74,691)	58,739	133,430
FUND BALANCE - BEGINNING OF YEAR	557,650	557,650	557,650	-
FUND BALANCE - END OF YEAR	\$ 482,959	\$ 482,959	\$ 616,389	\$ 133,430

The accompanying notes are an integral part of the financial statements.

WATERTOWN TOWNSHIP
Required Supplementary Information
Budgetary Comparison Schedule
Sewer Assessment Fund
For the Year Ended March 31, 2008

	BUDGET		ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Interest income	\$ -	\$ -	\$ 643	\$ 643
Other revenue	-	-	33,015	33,015
TOTAL REVENUE	<u>-</u>	<u>-</u>	<u>33,658</u>	<u>33,658</u>
EXPENDITURES:				
Legislative				-
Executive				-
Clerk				-
Board of Review				-
Assessor				-
Treasurer				-
Elections				-
Township hall & grounds				-
Planning & Zoning				-
Public works	-	-	3,848	(3,848)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>3,848</u>	<u>(3,848)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>29,810</u>	<u>(29,810)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfer out			(58,246)	(58,246)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(58,246)</u>	<u>(58,246)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>-</u>	<u>-</u>	<u>(28,436)</u>	<u>(28,436)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>28,436</u>	<u>28,436</u>	<u>28,436</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 28,436</u>	<u>\$ 28,436</u>	<u>\$ -</u>	<u>\$ (28,436)</u>

The accompanying notes are an integral part of the financial statements.

Additional Information

WATERTOWN TOWNSHIP
General Fund
Schedule of Revenue, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended March 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE			
Current property taxes	\$ 114,338	\$ 117,933	\$ 3,595
Property Tax Collection Fee	12,000	11,986	(14)
Interest Earnings	14,000	29,671	15,671
State revenue sharing	95,000	95,216	216
State revenue sharing - Metro act		2,961	2,961
Other Revenue:			
Planning commission/Board of Appeals		1,059	
Cemetery		9,000	
Taxes in lieu of annexed area		-	
Miscellaneous		14,949	
Total Other Revenue	11,420	25,008	13,588
TOTAL REVENUE	<u>246,758</u>	<u>282,775</u>	<u>36,017</u>
EXPENDITURES			
Legislative:			
Salaries & wages - township board		4,180	
Auditing & legal fees		3,014	
Dues		783	
Supplies		2,268	
Total Legislative	20,960	10,245	10,715
Executive:			
Salaries and wages		4,483	
Total Executive	4,494	4,483	11

WATERTOWN TOWNSHIP
General Fund
Schedule of Revenue, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended March 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (Continued)			
Clerk:			
Salaries & wages		\$ 9,952	
Office supplies & expenses		736	
Total Clerk	<u>\$ 10,290</u>	<u>10,688</u>	<u>\$ (398)</u>
Board of Review:			
Salaries & wages		744	
Total Board of Review	<u>1,000</u>	<u>744</u>	<u>256</u>
Assessor:			
Salaries & wages		9,210	
Office supplies & expenses		1,257	
Total Assessor	<u>10,210</u>	<u>10,467</u>	<u>(257)</u>
Treasurer:			
Salaries & wages		12,519	
Office supplies & expenses		1,070	
Total Treasurer	<u>13,754</u>	<u>13,589</u>	<u>165</u>
Election:			
Salaries & wages		693	
Office supplies & expenses		761	
Total Election	<u>4,000</u>	<u>1,454</u>	<u>2,546</u>
Township Hall & Grounds:			
Insurance		7,574	
Utilities		2,863	
Total Township Hall & Grounds	<u>16,900</u>	<u>10,437</u>	<u>6,463</u>
Planning & Zoning:			
Salaries & wages		4,653	
Office supplies & expenses		3,378	
Total Planning & Zoning	<u>7,833</u>	<u>8,031</u>	<u>(198)</u>

WATERTOWN TOWNSHIP
General Fund
Schedule of Revenue, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended March 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (Continued)			
Public Works:			
Fire Protection		\$ 45,122	
Drains at large		9,644	
Fica		3,301	
Lights		729	
Cemetery		11,726	
Metro Act		-	
Roads		83,376	
		<u>83,376</u>	
Total Public Works	<u>\$ 232,008</u>	<u>153,898</u>	<u>\$ 78,110</u>
TOTAL EXPENDITURES	<u>321,449</u>	<u>224,036</u>	<u>97,413</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(74,691)</u>	<u>58,739</u>	<u>133,430</u>
FUND BALANCE - BEGINNING OF YEAR	<u>557,650</u>	<u>557,650</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 482,959</u></u>	<u><u>\$ 616,389</u></u>	<u><u>\$ 133,430</u></u>

See the accompanying notes.

WATERTOWN TOWNSHIP
Current Tax Collection Fund
Schedule of Changes in Assets and Liabilities
Year Ended March 31, 2008

	<u>BALANCE MARCH 31, 2007</u>	<u>ADDITION</u>	<u>REDUCTION</u>	<u>BALANCE MARCH 31, 2008</u>
<u>ASSETS</u>				
Cash	\$ 122,620	\$ 2,576		\$ 125,196
Taxes - receivable	<u>99,915</u>	<u>1,208,995</u>	<u>\$ 1,202,611</u>	<u>106,299</u>
<i>TOTAL ASSETS</i>	<u>\$ 222,535</u>	<u>\$ 1,211,571</u>	<u>\$ 1,202,611</u>	<u>\$ 231,495</u>
 <u>LIABILITIES</u>				
Due to general fund	\$ 131,511	\$ 127,147	\$ 129,919	\$ 134,283
Due to other Governmental Units	<u>91,024</u>	<u>1,075,464</u>	<u>1,081,652</u>	<u>97,212</u>
<i>TOTAL LIABILITIES</i>	<u>\$ 222,535</u>	<u>\$ 1,202,611</u>	<u>\$ 1,211,571</u>	<u>\$ 231,495</u>

See the accompanying notes.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

Robert L. Tuckey, CPA

September 23, 2008

To the Members of the Board
Township of Watertown

In planning and performing our audit of the financial statements of the Township of Watertown as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Watertown's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. During the course of our audit, we observed the following significant deficiency:

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the Township segregate duties whenever possible.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Financial Statements

After considering the qualifications of the accounting personnel of the Township of Watertown, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Township, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

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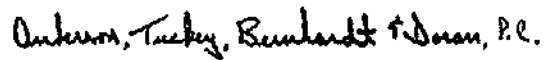
Office locations in Caro,
Cass City & Marlette

Members of the Board
September 23, 2008
Page 2

This communication is intended solely for the information and use of management, the Township of Watertown, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Township of Watertown and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,



Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

Robert L. Tuckey, CPA

September 23, 2008

To the Members of the Board
Township of Watertown

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Township of Watertown for the year ended March 31, 2008, and have issued our report thereon dated September 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Watertown are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Township of Watertown changed its accounting policies related to full accrual financial statements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 34, in 2008. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 1. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed adjustments that we consider to be significant and have communicated this to management in our letter dated September 23, 2008.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Township of Watertown and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants